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ECONOMIC RESEARCH SERVICE . U.S. DEPARTMENT OF AGRICULTURE . DECEMBER 1971

FARM EXPORTS APPROACH 1971 RECORD

Another strong season for agricultural exports is underway, but it won't match the outstanding performance of fiscal year 1971, which ended on June 30.

Mainly on a surge of sales to Europe, Canada, and Japan, farm exports crested at \$7.8 billion in fiscal 1971. It was a memorable total, 15 percent higher than the prior year and 14 percent over the old record in fiscal 1967.

The new season began like the old one ended. July-September 1971 exports shot more than a tenth over exports in those months of 1970. But this was partly shop-early buying by foreign customers anticipating Gulf and Atlantic port dock strikes.

Second Best

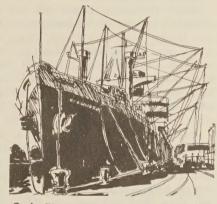
The rest of the fiscal year will be less exuberant. So the full-year record is likely to show exports falling moderately below fiscal 1971 for the second-best export year on record.

Conditions somewhat, but not entirely, like those of fiscal year 1969 are holding exports back. Once again

Fiscal 1971: Outstanding Export Year

- Total Total Catalanang Export Teal	
Value	Change from fiscal 1970
Mil. dol.	Percent
1,090	+11
1,503	+11
2,060	+23
915	+13
570	+ 1
492	+42
409	+ 2
208	+ 1
	Mil. dol. 1,090 1,503 2,060 915 570 492 409

we have dock strikes, a record world grain harvest, and a smaller supply of cotton for export. Add to this smaller soybean availability, despite a record crop, that will restrain exports. But there are a couple of encouraging signs that were absent in 1969: U.S. international monetary policies designed to benefit exports and a forthcoming sale to Russia.



Grain Glut

With the best crop year ever, we've got plenty of grain for sale. But so do our competitors on several continents. Canada has a huge crop this year, Australian output is up, and feed grain crops in Argentina and South Africa set records. Importers are grain-heavy too. From the English countryside to the Russian Ukraine, European farmers harvested bumper crops. Japan is working down a large rice surplus from last year, and other top Asian customers for U.S. wheat and rice have successfully boosted their own grain output.

In the face of all of this, wheat exports will slide from the 739 million

bushels exported last fiscal year, probably down to the neighborhood of 600 million bushels.

Russian Buying

Feed grain exports won't match the 19.5 million short tons of the 1971 feeding year, but could approach it. We are on the verge of a deal with Russia that could give exports a smart lift.

Since last June, Russia has advertised for 7½ million metric tons of grain on the world market for delivery by next July. The latest bid in November was for 3 million metric tons of corn, barley, and oats. At least two-thirds of this will be purchased in this country. The feed grains are needed to help step up livestock output, and some will be used to meet commitments in the Eastern Bloc.

Tobacco

U.S. unmanufactured tobacco exports will be a little lower than the 555 million pounds of fiscal 1971. While domestic tobacco prices are up, foreign production of lower priced tobaccos is large and some foreign cigarette makers are holding U.S. leaf inventories down.

Tight supplies of soybeans are resulting in high prices despite the dock strikes, and limiting availability for this season's exports. Soybean export sales are likely to dip a little below 400 million bushels from 433 million last season.

In a similar supply pinch, cotton shipments may total closer to 3 million running bales than to the 3.7 million exported last season.

WORLD GROWS MORE

When the last sheaf of grain is cut on December 31, the world's farmers will have grown more crops and raised more livestock than in any year in history.

Weather bedeviled Asia, but smiled on the rest of the globe this year. Great weather in most parts of the world, plus better farming techniques to take advantage of it, yielded record production.

World wheat output rose 6 percent in 1971, feed grain crops increased significantly, and rice output was up a little.

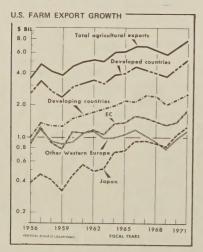
Total farm output for industrial countries rose 3 percent for the year, after a minor gain in 1970. Nonindustrial nations recorded a more vigorous 4-percent rise, holding above their average growth rate for the third year.

India, focal point of P.L. 480 during the 1960's, boosted food grains 8 percent, using a host of more sophisticated farming methods.

Red Chinese agriculture didn't live up to last year's record, frustrated by unusual weather patterns and maldistribution of farm laborers. China is a big factor in world production, second to us in total grains and tobacco, and third in cotton.

EC ENTRY CHALLENGE

The United Kingdom is set to join the European Community (EC), and Ireland, Norway, and Denmark are making application for membership. These entries could reduce U.S. farm exports and create a more competitive farm export stance for the EC.



In fiscal 1971, the prospective members bought \$549 million worth of U.S. farm products, including a third of our flue-cured tobacco exports and a fifth of the meats, beans, and peas, plus a lot of soybeans and corn.

The entries would not hurt soybeans, since there's little foreign competition as yet. But the new members could buy much of their tobacco from countries protected by EC trade agreements instead of from us. While imports of U.S. hard wheat will still be necessary, feed grain purchases could easily drop if enlarged wheat output is diverted into feed use.

RICE CONTEST

We're battling to keep our number one rice-export spot in a fiercely competitive world market.

The competition became keen after high world prices in 1967 and 1968 coincided with introduction of new high-yielding rice varieties. The combination spurred rice output in both deficit and surplus nations.

World production leaped off an average of about 260 million metric tons (rough rice) for 1967-69, years ending June, hitting 280 million tons in 1970 and 295 million in 1971. Many less-developed nations successfully reduced import requirements, while stocks mounted here and in other rice exporting countries.

World prices have plunged about a third since 1967, as import demand has diminished and exportable supplies have increased. Our own commercial exports have dropped about 40 percent since 1968, although total shipments have declined only a tenth.

Exporting countries are using a variety of strategies to expand sales abroad. These include food aid, export subsidies, and in the case of Thailand, relinquishing taxes on rice exports.

Our supplies for the 1971/72 marketing year are the third largest on record. Unless the dock strikes crimp export movement too badly, however, larger aid shipments could push total disappearance slightly above the estimated 84-million cwt. 1971 crop. The carryover next August may fall below the very large 18.6 million cwt. carryover of this summer. The national acreage allotment for the 1972 crop

will be the smallest since 1961. In 1972, as this year, support will be 65 percent of parity, the minimum allowed. This year, the support rate is rising 21 cents to \$5.07 per cwt., the highest ever.

TOP SOYBEAN PRICES

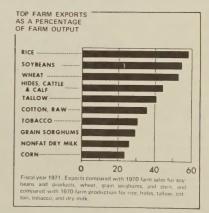
Demand for soybeans continues strong and the new crop will move at high prices, possibly averaging \$3 per bushel for the season.

Supplies total 1.3 billion bushels, 5 percent below 1970/71 and 10 percent under the 1969/70 record.

Demand for soybean oil and meal also remains strong but soybean supplies are limited and prices are higher than last year. Consequently, prospective utilization of 1.2 billion bushels is down from last season. Carryover dropped to 99 million bushels this September 1, and carryout stocks on September 1, 1972, will likely drop further.

Limited supplies this marketing year may prevent processors from crushing as many beans as in 1970/71, even though annual processing capacity has expanded to nearly 900 million bushels. With excess capacity, crushing margins may be under the 26 cents per bushel of last season and possibly be closer to the 1960-68 average of 12 cents.

While supplies of soybeans available for export are down from last year's, world supplies of competitive fats and oils probably will be greater. Thus, soybean and soybean-product exports probably will fall short of last season's 433 million bushels of beans, 1.7 billion pounds of oil, and 4.6 million tons of meal.



ALL SYSTEMS "GO" FOR MORE CATTLE

All systems are "go" for larger fed beef output. A moderate upsurge in fed cattle marketings is in sight for the first half of 1972, with the margin of increase widening towards midyear.

A record high cattle-corn price relationship prevailing this season will encourage more feeding. Feed is abundant and cheap, and feeder cattle supplies are larger, although more expensive. Farmers with an option also may finish cattle this winter instead of pigs, since the feeder pig supply is smaller than last year.

Demand for beef is expected to keep up its excellent tone, and fed cattle prices are \$5-6 higher than a year ago and expected to remain around recent levels through the winter quarter (January-March 1972).

Inventory Gains

In addition to a favorable cattlecorn ratio, it looks like more cattle

FEED ABUNDANCE

Feed this fall is abundant and then some: The 4-grain crop of 206 million tons tops last year by 47 million tons. This has depressed prices, particularly for corn, and makes a hefty increase in carryover to well over 50 million tons virtually certain next year. But there are 4 tempering factors:

- We carried only 33 million tons of old feed grains into the current season, the least since 1954. This holds total feed supplies to 239 million tons, 12 percent over the late-1960's average.
- And, while supply is larger, feed use during 1971/72 will be upprobably by 6-10 million tons. Use should get a lift from low feed prices, high livestock prices, and more cattle on feed.
- The 1971 U.S. crop is distributed more evenly than last year. All regions have grown more. Output turned up sharply in the Eastern Corn Belt and South following blight-reduced 1970 crops.

will be available for feeding next year. The beef calf crop was up 4 percent this year, and will rise more in 1972.

The total cattle inventory rose by about 2½ million head during both 1969 and 1970, and is likely to rise by 3 million or more this year. Official numbers will be recorded in the January 1, 1972, inventory and published in February.

All the increase next January is likely to be in beef rather than dairy animals, with a larger proportion of young beef animals than a year earlier.

Price Plateau

Even with larger marketings than the year before, fed cattle prices are likely to stay on a high plateau through winter. Spring 1972 (April-June) may see a little weakening with larger supplies coming onto the market. Continued strong consumer demand and smaller pork output than last winter and spring will help limit any price decline.

Feeder cattle prices, usually seasonally highest in spring and summer, have kept going up into fall. Choice feeder steers at Kansas City in mid-

• USDA in October announced a 1972 program designed to get much more land out of feed grain production, reduce stocks, and boost farm income.

Corn Kev

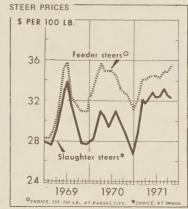
Feed grain prices this season will hinge on the action for corn.

The overall supply increase comes mostly from 1.1 billion more bushels of corn. The 6.2-billion bushel corn supply makes up three-fourths of total feed grains.

With this much corn around, feed grain prices may average about 15 percent lower than in 1970/71, and record little seasonal rise until next summer approaches. Corn prices averaged a dollar a bushel in mid-October, 34 cents under a year earlier.

Prices are likely to strengthen as the bulk of surplus corn goes into commercial hands or loan. With low prices, the amount of feed grains under loan will rise from last year's level. Farmers' response to 1972 feed programs and production prospects November were selling \$4-5 higher than last fall and about \$2 over this summer.

Feeder cattle prices probably will stay high right into next spring, without the usual winter price dip.



Watch slaughter weights. They could turn out to be a dampening factor in an otherwise optimistic fed cattle market next year. Finishers are paying a premium for feeders, and cheap feed may encourage them to feed to heavier average slaughter weights than they did earlier this year, when feed was unusually costly.

will influence prices late in the marketing season.

Sorghums

October sorghum prices averaged \$1.76 per cwt., 26 cents under last October, a little over loan, and probably near the low for the season. At 1 billion bushels, supplies are average, but use won't match last year. Pound for pound, October sorghum prices were only a little less than corn, and there is more corn, wheat, and other grains in areas that feed much of the sorghum. Cheap corn also lowers export hopes for sorghums.

Sorghum prices may not lift much off the early-season low, contrasting to last year's 20-percent seasonal rise.

Barley

Use of barley will slip this season as feeders use more corn and exports decline, even with a hefty sale to Russia. But barley prices have strengthened since summer, and in October were 13 cents above loan and 109 percent of corn, pound for pound.

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PORK SURGE OVER

October slaughter levels marked the termination of a long surge in pork output. Slaughter earlier this year was a fifth larger than in the first half of 1970, but slaughter tapered off and slipped below 1970 levels by October. With smaller pig crops this year, slaughter will remain below year-earlier levels in the months ahead.

Except for a temporary rise in November, prices of barrows and gilts at 7 markets have remained in the \$18-20 range since midyear. Hog prices will likely strengthen in the first half next year as slaughter stays well under year-earlier rates and market prices average well above the \$17.50 of January-June 1971.

A LOT OF WHEAT-LESS USE

Wheat supplies continue on an uptrend that began in 1966. With a record harvest this year topping 1.6 billion bushels, supplies for 1971/72 are pushing 2.4 billion bushels, the most since 1962.

While supplies are up, wheat use for the season is not likely to rise.

Wheat feeding for all of 1971/72 will slip from last season's level. Livestock gobbled wheat in July and August when feed grains were costlier, but sliding feed grain prices since have reversed the wheat-feed grain price differential.

Exports are stumbling. Some wheat exports to Asia were lost during West Coast port strikes, and a prolonged

walkout at Gulf and Atlantic ports could compound the loss. Meanwhile, world markets are weakening, glutted with large harvests in many areas.

Less wheat fed and exported could keep total wheat disappearance around 250 million bushels below the crop size and raise the July 1972 carryover by a similar amount. The carryover level would be near a billion bushels, largest in a decade.

HEALTHY HENS LAY MORE EGGS

Egg producers are making some headway against heavy supplies that have brought the lowest prices since 1968.

They've been working down the size of the national laying flock in the last few months, but larger output per hen has partly scotched the effect. The laying flock is younger this year, and a new vaccine to counter Marek's disease, a poultry-house killer, has contributed to a higher rate of lay.

Prices for all of 1971 will be down 15-20 percent from the 1970 average, 38 cents a dozen, but improvement is on the way.

First-half 1972 output is likely to be only a little smaller than in the first half this year. But supplies of some other high-protein foods, mainly pork, will be smaller. The volume of eggs used for hatching will be up, too.

The outcome: Prices during January-June 1972 are likely to average moderately above the low prices in the first half of this year.

WOOL PRICE RECOVERY?

Producers, consumers, and altered trade conditions may work together to boost ailing wool prices next year.

Wool has been losing ground to other fibers for some time. But this year poor wool clothing demand, slack mill use, and low world wool prices dealt an especially hard blow. Producers are getting a third less than the low 1970 average price of 35.5 cents a pound, grease basis.

With the cuts producers have made in sheep numbers this year, the 1972 domestic wool supply is likely to decline.

Consumers, meanwhile, have displayed more interest in clothing purchases in recent months, although the emphasis has been on cotton and manmade fibers. With prospects for a better economic picture for 1972, clothing sales may gain enough momentum to help wool apparel sales as well.

Imported wool prices are likely to average higher next year. World wool prices picked up last summer and the revaluation of many foreign currencies, plus the temporary import surcharge, will make imported wools and fabrics cost more here, lending strength to American wool prices. Longer term benefits may come out of a non-cotton textile agreement between the United States and major Asian producers, limiting imports of woolens and manmade fiber fabrics into this country.